



North Carolina Department of Environment and Natural Resources

Beverly Eaves Perdue
Governor

Dee Freeman
Secretary

February 12, 2010

MEMORANDUM

TO: Sen. Pete Brunstetter, Co-Chair, Zoological Park Funding and Organization Study Committee
Rep. Harold Brubaker, Co-Chair, Zoological Park Funding and Organization Study Committee
Rep. Edith Warren, Co-Chair, Zoological Park Funding and Organization Study Committee
Marilyn Chism, Director, Fiscal Research Division

FROM: Dee A. Freeman

RE: Report on the Progress and Implementation of SL 2009-329

Attached is the report on the progress and implementation of SL 2009-329, Zoo and Zoo Funds Modifications.

If you have any questions, please contact Dr. David Jones, Director of the NC Zoological Park at 336-879-7102.

cc: Mr. Manly Wilder
Dr. David Jones
Ms. Elizabeth Biser

STATUS OF ZOO LEGISLATIVE STUDY COMMITTEE ADMINISTRATIVE IMPROVEMENTS

Introduction

Following the recommendations of the 2008-09 Zoological Park Funding study committee, the legislature passed SL 2009-329, Zoo and Zoo Funds Modifications. This legislation directs the Department of Environment and Natural Resources to report to the North Carolina Zoological Park Funding and Organization Study Committee and to the Fiscal Research Division on the progress and implementation of certain Zoo purchasing and contracting issues and administrative improvements. More specifically, there are four administrative areas that the committee asked the Zoo and DENR to review. Two are related to purchasing and contract preparation, another to the Zoo's IT needs and the fourth to review the MOU with the Zoo Society. Progress on each of these items is outlined below.

1. **Purchasing and Contracting Authority** - SL 2009-329 added a new section (GS 143-129.8A) that gives DENR the authority to use the "Best Value" and "Government-Vendor" partnership procurement methods on behalf of the Zoo when that contract results in the generation of revenue for the Zoo and State, or when the goods/services provided results in increased revenue or decreased expenditures for the Zoo and State.

Current Status - DENR has used the "Best Value" procurement method on the Zoo's recent soft drink contract and is in the process of using it on the upcoming Zoo Expansion Feasibility Study funded by the Zoo and four local government entities. DENR is also working on "Buy Back and Termination" clause amendments to the Zoo's food service contract, again using the "Government-Vendor" partnership procurement method. In all of these cases, the Zoo and therefore the State, will benefit.

Although the processing time for Zoo contracts has improved, DENR Purchasing Services' heavy workload still causes delays in processing contracts.

Outlook— The Zoo will request that DENR move ahead on the Buy Back and Termination clause amendment to the Food Service contract as soon as possible. It is hoped that this will encourage Sodexo to invest in new Zoo facilities, such as the Elephant/Rhino Restroom/Food facility and the food facility associated with the Polar Bear Exhibit Expansion. The Zoo will also look to DENR to continue to give priority to Zoo contracts related to revenue generation.

2. **Purchasing and Contracting Policies and Procedures** - Section 3.1 (1) of the Zoo Legislation (SB332) states DENR shall consider increasing the threshold over which the Zoo must solicit competitive bids or quotes to \$5,000.

Current DENR Purchasing & Services rules allow no quotes for purchases and services under \$1,500, three telephone quotes for items between \$1,500 and \$2,500 and then bids

through the e-procurement system for items over \$2,500. State Purchasing and Contract allows DENR a \$5,000 limit before requiring competitive bids or quotes.

2a) **Purchases of Goods and Services** - The Zoo has a large number of items such as seed, fertilizer, toner, soil, repair and construction materials, carpentry and hardware, vehicle parts including for trams, buses, and mowers, toilet paper, trash bags, gift bags, uniform shirts and signage as well as repairs that cost between \$1,500 and \$2,500 and thus require three telephone quotes. The quotes often take two or three days for the vendor to respond to when alternatively the Zoo could use internet resources as it does with Zoo Society purchases to find the best price. Purchases such as mega-generator parts, compressors, tram/bus parts and services such as compost debris removal, fire sprinkler system repair, and equipment installation that exceed \$2,500 must currently be bid through the e-procurement system. This requires the vendor or contractor to register with e-procurement, at least a one week bid period and DENR approval.

2b) **Construction** -The Zoo also has many minor maintenance and repair projects such as patching, grading, fencing, painting, plumbing, concrete repair, fire safety, electrical work and roof leaks that cost over \$1,500. Telephone quotes for these services are not possible since the contractor needs to see what is required in order to provide a quote. This means that all construction/repair projects costing more than \$1,500 must be bid through the e-procurement system. Small contractors are unwilling to go to the trouble of registering in the e-procurement system, submitting a bid and then waiting for DENR approval for such small projects. As a result, the Zoo waits to combine small projects, has to use Zoo Society funds or is forced to do the work in-house, taking maintenance staff away from other tasks. With the \$1500/\$2500 limit, the Zoo staff had no choice but to use Zoo Society funds to purchase the second hand pipeline steel for caging and fencing for the Elephant/Rhino Exhibit expansion (which saved the Zoo and State at least \$1 million in materials) because the Zoo did not have the time to purchase multiple orders of steel each under \$5,000 through the e-procurement system.

2c) **Marketing** - To be competitive with other attractions in the State and generate the \$6 million in budgeted receipts per year, the Zoo must market itself. Many advertisements cost more than \$1,500 and it is often impractical to obtain telephone quotes or bids for advertisements in a specific media. They simply will not respond. As a result, the Zoo contracts with the Zoo Society to purchase advertising on its behalf and then reimburse the Society using Special Zoo Funds. This is very cumbersome and involves considerable staff time.

Status - DENR is currently piloting the \$5,000 limit in other divisions.

Outlook— Given the savings in time and money, the Zoo is proposing that DENR allow purchases of goods and services up to \$5,000 before being required to solicit competitive bids.

3. **IT Consolidation** - Section 3.1 (2) of the Zoo Legislation (SB332) states DENR shall continue negotiations with OITS on the implementation of State IT Consolidation (SB991) and whether in the Zoo's situation this hinders its business capabilities.

The Zoo is almost unique within State Government. Unlike the Museum of Natural Sciences and the Aquariums, the Zoo's servers are located on site, not in Raleigh. The handling of visitors at the gates and in the shops under Payment Card Industry (PCI) compliance restraints, operation of group bookings and sales, maintaining inventory records at the warehouse, keeping animal and plant records that tie in to national and international programs are unusual in State government. While IT consolidation clearly makes sense for 90% of State government, it hinders Zoo operations and the Zoo's ability to generate revenues and its abilities to keep up with both program and business trends.

3a) IT Consolidation - More than two years after the Zoo's IT network was converted to the State IT system, the Zoo still does not have the capability to access the Zoo's network remotely. This has caused IT staff to have to travel to the Zoo to fix Point of Sale (POS) problems, employees to not be able to work from home (bad weather, domestic emergency), loss of tickets sold online and vendors charging additional expenses to travel to the Zoo to install updates and troubleshoot.

Current Status – After a visit to the Zoo with DENR Chief Information Officer, Mary Penny Thompson, State OITS CIO, Jerry Fralick stated that the overall consolidation of Zoo IT services into the State OITS will not be done in the foreseeable future. DENR IT consolidation will continue to leverage similarities in contracting and services that are similar for the Museum, Aquariums, Forestry and Parks. Both OITS and DENR IT will look at supplying upgraded equipment to the Zoo and will work on an IT plan to allow the Zoo to convert to new operating systems, software, storage and backup, so that they reach a level comparable with the rest of DENR when Microsoft Office 2010 becomes available.

Outlook– Since State OITS CIO Fralick has stated that consolidation of Zoo IT services into State OITS will not be done in the foreseeable future, the Zoo will seek to be taken out of DENR IT Consolidation plans except in following DENR IT purchasing and other policies and procedures in connection with email and Beacon. The Zoo also requests that the IT staff serving the Zoo and with considerable experience of the Zoo's specific needs report directly to Zoo management as was the case previously.

3b) Internet Connection - Currently the Zoo pays OITS \$1,423.77 per month for 3 mbps Ethernet over fiber service. The local teleco Randolph Telephone Membership Corporation (RTMC) will provide the Zoo the same service for \$392.50 per month for a 36-month contract. The Zoo needs to increase its service to 10 mbps. OITS has given a quote of \$1,932.50 per month plus a \$500 installation cost. RTMC will provide the service for \$975 per month with no installation cost for a 36-month commitment. Since Email, Beacon, the Controller's Payment System and other State programs are web based, the Zoo does not need to be connected to the State IT service. A further advantage to a connection via Randolph Telephone is that the Zoo could purchase a device containing a firewall, remote

access, and other capabilities required for PCI (Payment Card Industry) compliance that OITS has not provided for a one-time cost of \$4,602.

Current Status - DENR has agreed to allow the Zoo to maintain one connection to the State network for non-web-based high-security systems such as NCAS (NC Accounting System) and to access the other web-based systems through a local telecom Internet connection.

Outlook – The Zoo will seek to switch to the local telecom to reduce the cost as well as comply with PCI requirement. This will ensure the Zoo can access its network remotely and sell tickets on-line efficiently.

3c) **IT Purchasing** - Currently, DENR IT approval is required for all IT hardware purchases, including keyboards, mouse devices and other accessories (often costing less than \$100). All IT projects that cost a total of \$100,000 or more over a 5 year period, including maintenance and staff time, must be processed and managed via a state 'Project Management Procedure'. That usually takes a long time to put in place. As a result, a major new initiative to provide digital signage for visitors around the Zoo, entirely funded by a private donor (\$150,000 of a \$250,000 gift) was delayed 6 months before a decision was made ultimately to exempt it from this process. Also, much effort has been put into increasing Group Sales this past year. The project could increase gate income to the Zoo by as much as \$500,000 a year in due course. However, as a result of trying to follow these 'Management Procedures' we have lost at least a year and still do not have the satisfactory software and training in place to do the job.

Outlook- The Zoo requests that a figure be agreed below which it can purchase IT hardware and that it is exempted from the IT Project Management process.

4. Memorandum of Understanding Between the Zoo and the Zoo Society

Section 3.2 of the Zoo Legislation (SB332) states DENR shall review the current Memorandum of Understanding (MOU) between DENR and the NC Zoo Society.

Memoranda of Understanding were drawn up between the Zoo and the Zoo Society in 1968 and 1993. The Zoo Study Committee felt that it was time to review the wording of that Memorandum and to make sure that it fit the needs of the State and the function and capabilities of the Society. During that 17-year period, from 1993 to the present, the Society has expanded considerably in terms of numbers of staff and the increased funds that it raises. DENR Senior Staff and the Zoo Director felt that the function of the Society needed to be clearly reaffirmed and that areas such as the Park's retail operations, the organization of the Society membership and the mechanisms by which funds were transferred to the Zoo, among other topics, needed discussion and review. Each of the parties to the Memorandum (DENR and the Zoo Society Board of Trustees) appointed a small review team. Initial discussions between the lead members of these teams came to the view that the Memorandum itself should focus on the purpose and principal activities of

each body (Zoo and the Zoo Society), rather than cover operational details (retail, membership, etc.), which would be handled mainly through separate, internal discussions between Zoo and Society Staff, but with input from the DENR and Society Board teams where needed. The results of these discussions could then be added as appendices to the Memorandum later, if appropriate.

Outlook - The current situation is that a new Memorandum, which largely follows the format of the 1993 document, but with unambiguous definitions of the relationship, communication needs and functions has been drafted by the Society Board team and will shortly be sent to the Secretary of DENR for further input. Once the Memorandum itself has been finalized, a time table will be drawn up for discussion of the various operational elements that need review. It is expected that these discussions will be completed within the 2010 calendar year, at which point the parties will report their conclusions to the Study Committee.